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FOR IMMEDIATE RELEASE

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Indiana Department of Financial Institutions Reacts to Treasury Department's Financial Regulatory Reform Plan

Department of Financial Institutions Director Judith Ripley today expressed her dismay at the Treasury Department's Blueprint for Financial Regulatory Reform, and asserted that the Treasury recommendations would be detrimental to the financial system and the economy of the United States.

"The plan would create a vast new federal bureaucracy, with multiple agencies all falling under the Treasury Department's jurisdiction." Under the plan state chartered depository institutions would be forced into the federal system. "Our current financial system provides a broad-based and diverse banking industry marked by meaningful choice in charters. In short, the U.S. economy flourishes because of our unique dual banking system, not in spite of it."

The Treasury's plan calls for the creation of a new federal Mortgage Origination Commission to develop licensing standards for state mortgage lenders and "evaluate the overall adequacy" of the state system. But Ripley suggests, "This federal commission, as usual, is arriving late to the event." State officials recognized as early as 1999 that the changing nature of the housing finance system was outpacing existing regulatory regimes. It was obvious to state regulators that this lending was funding imprudent practices, resulting in over 30 states passing predatory lending laws. Unfortunately, the insatiable appetite of large banks and Wall Street for securitized mortgage lending plus slumbering federal regulators overwhelmed even the most aggressive states in trying to rein in the mortgage lending area.

As financial institutions and financial service providers increasingly engage in interstate and nationwide operations, and in international and global operations, our regulatory system must progress to reflect this evolution. However, the Treasury's plan that seeks to accommodate and shore up our largest institutions will effectively destroy community banking. State-chartered community banks and credit unions have traditionally and in the current crisis, been a source of strength and stability for our economy.

In addition, the states have long been recognized as leaders in providing consumer protection. And while state supervisors strive to encourage the success and competitiveness of the institutions and providers we regulate, we will not compromise

our fundamental commitment to protect consumers and to ensure the safety and soundness of our regulated entities.

“I fear that the Treasury’s plan, if enacted, will have the very consequences the Treasury Department is striving to prevent. By altering our regulatory regime to cater to a handful of enormous institutions, the Treasury Department will orchestrate the downfall of a financial system that has created the world’s most successful financial institutions yet still allows for domestic competition.”

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